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S P E C T I V E S

A NEWSLETTER FOR POLICYHOLDERS & MEDICAL PROVIDERS | SUMMER 2005

MONTANA STATEFUND
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How Does MSF Set Rates?

Trying to get a handle on how your workers' compensation rates are set can be puzzling. We understand and the following is the first in a series of articles that will help take the mystery out of how rates are determined.

MSF and other Montana workers' compensation carriers use the NCCI (National Council on Compensation Insurance) annual loss cost filing report to help formulate premium rates. NCCI, a national not-for-profit advisory group, analyzes hundreds of job codes and other contributing factors to come up with what they believe is a realistic rate or cost that insurance companies should charge to cover their policyholders' claims. Insurance companies then take into account the suggested loss cost plus a review of each of their customer's losses, types of jobs covered, business classifications and operating expenses to make a final determination on rates.

This year, the NCCI submitted a loss cost filing to the Montana insurance commissioner with an average increase of 12.1%. Last year the increase was 7.5%.

The ultimate authority for setting MSF rates lies with our Board of Directors. While MSF uses the NCCI data as a starting point for calculating rates, our actuarial data suggested that the loss experience of our customers did not justify such a large increase. Consequently, our Board set the overall average increase at only 3% for FY06. (Please note that this increase is an average; individual class codes can vary up or down each year by 25% depending on the average losses for all the businesses in a particular industry class code.) In studying the NCCI loss cost filing, the Board determined that they had taken appropriate rate action in previous years, lessening the impact for this year.

Loss costs is the major factor affecting your rates. It represents, on average, 80% of the total rate. According to Mike Taylor, regional manager for NCCI, "There's not one smoking gun" as to why rates have been on the rise. Other factors include: increasing medical costs, state Supreme Court decisions, an aging workforce that can lead to more severe work comp claims and the amount of wage replacement compensation paid with claims in Montana is much higher than in surrounding states. NCCI data indicates that Montana has a dramatically higher number of permanent partial disability (PPD) cases, which are the big cost claims in the system. Nationally, the average number of PPD's per 100,000 workers is 413. In Montana, there are 770 PPD's per 100,000, which is 54% above the nationwide average.

We hope the above information clarifies some of your questions. If you need a more detailed explanation about your rates and/or other useful tips on how to control your workers' compensation costs, we encourage you to call your team's customer service specialist.

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New Law Regarding Independent Contractors Could Affect You!

The passage of Senate Bill 108 by the 2005 Montana legislature changed the way our state views Independent Contractors (ICs). If you work with ICs you need to be aware of changes in the law.

SB108 now requires that all ICs must either:

- Have an exemption certificate issued by the Department of Labor and Industry (DOLI), or
- Purchase workers' compensation insurance coverage on themselves.

As a policyholder you need to understand that it is your responsibility to determine that the IC has the proper documentation. If the IC fails to get the exemption or insurance, you may be held responsible for claims on injuries or occupational diseases and for payment of premiums on their wages. The new law took effect April 28, 2005.

DOLI is responsible for determining and distributing the exemption certificates. To be conclusively presumed to be an independent contractor, DOLI must:

- Approve an application for an independent contractor exemption certificate based upon a submission for a certificate after April 28, 2005, and
- The person must be working under the Independent Contractor exemption certificate.

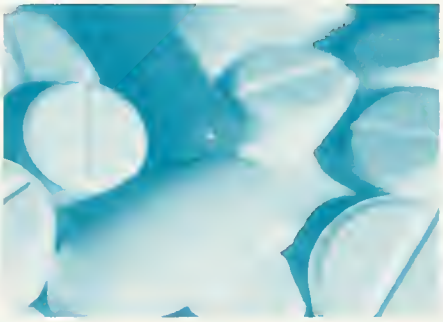
For information on obtaining an IC certificate or requirements under the law, contact the Department of Labor and Industry at 406-444-9029 or go to ***www.mtcontractor.com.***

Rx for Controlling Policyholder Costs

As your workers' compensation insurer, we are trying to do all we can to control policy costs while at the same time ensuring that your injured employees receive quality care and the timely services they deserve to help them heal from their injuries and get back to productive lives. It's a challenge that all insurers face, and at Montana State Fund, we've been committed to making this a reality. That is why one year ago we contracted with National Medical Health Card Rx (NMHC Rx) to serve as our pharmacy benefit manager. A pharmacy benefit manager (PBM) is a company that contracts directly with pharmacies in order to establish a preferred provider organization for its customers. The primary benefits of a PBM include a discounted reimbursement rate, utilization monitoring and pharmacy electronic billing.

NMHC Rx

PHARMACY BENEFITS MANAGER



We can now report that since the program's inception last May, we have seen over a $2 million savings. This has been accomplished through medical providers dispensing more generic drugs to our injured employees. State law requires generic drugs be substituted for brand-named drugs as long as it doesn't compromise the care of our injured employees. Brand names can cost four times more than generics.

Another savings opportunity has been in the area of claims management. Our claims examiners can access reports that help them work more closely with treating providers. This extends to the drugs that are being dispensed to injured employees as well as the length of the drug use.

When MSF is compared to NMHCs other workers' compensation clients, our program's savings is exceeding the norm. Our per member, per month costs are lower, the number of prescriptions are lower and our average price per prescription are lower. It's another way we're working to help keep workers' compensation costs in check.

How You Can Help

Your continued cooperation is essential to ensure the program's success. The most critical is to make certain both you and your injured employee file a First Report of Injury form (FROI) as soon as an accident occurs. This step is crucial because once we get the FROI we send injured employees a claim number that they present to participating pharmacies to obtain the prescriptions they must use to receive their medications and begin their healing process.

Meet Our New Board Members

Jane DeBruyker
Dutton

Ken Johnson
Missoula

James Swanson
Glendive

Lawrence Zanto
Helena

Governor Brian Schweitzer recently appointed four individuals to serve on our Board of Directors. Jane DeBruycker of Dutton, Ken Johnson of Missoula, James Swanson of Glendive and Lawrence Zanto of Helena join Chairman Ed Henrich and Mardi Madsen. The Governor is in the process of appointing one more member.

The Board consists of seven individuals that must meet certain eligibility requirements and serve a 4-year term on a staggered basis.

Outgoing members include: Chairman Herbert Leuprecht, Mark Cole, Jack Morgenstern, Derek Grewatz and Derek Scoble. We are grateful for their willingness to take time away from their own businesses and families to serve our organization and the people of Montana.

The Board's specific responsibilities as provided in law include: ratemaking, declaration of dividends, approving of an annual strategic business plan, establishing the annual operating budget, determination of appropriate surplus levels and submission of an annual financial report. In addition, the Board retains major independent accounting and actuarial firms to validate the fund's financial position and reserves. The Board also has the responsibility to hire the executive director of MSF.

Fall Education Conference Slated For November

Medical providers mark your calendars for Friday, November 18, 2005. This is the date for our 5th annual medical education conference. The full-day event, held in Helena, will explore the psychological aspects of workers' compensation injuries.

Physicians, psychologists, social workers, physician assistants, nurse practitioners, medical case managers, claims examiners and physical/occupational/speech therapists are encouraged to attend.

Conference topics, details and registration materials will be available soon. For more information contact Bridget McGregor at 800-332-6102, extension 6595 or e-mail bmcgregor@montanastatefund.com

Unlock Your Company's Business Culture

Upcoming Safety Trainings

The overall health and financial viability of your company is a major focus of our safety services team. With that in mind, this year's round of safety trainings will spotlight the theme: *Keys to a Healthy Business Culture: MSF Your Partner in Safety.*

While the primary orientation of the workshops will be safety, the information that you'll take from the trainings may also be applied to other areas of your business operation. Our safety experts have identified five key factors that will be the basis for the workshops given this year:

- Communication and Awareness of Safety
- Compassionate and Focused Injury/Incident Response
- Aggressive Claims Management
- Management Commitment and Involvement
- Employee Motivation

Our September workshops series will explore *Employee Motivation.* The topics to be discussed include:

The Effect of Safety on Your Bottom Line.

Does a safety program really affect your company's profits? You betcha. We'll show you how you can improve your company's profits by managing an effective safety program.

Workplace Behaviors: Why don't employees do what they are supposed to do?

Do you know your workers? This session will give you insight into developing healthy safety behaviors within your staff.

Giving Employees Recognition.

Positive reinforcement inspires employees to think beyond their immediate well-being and to focus on the group. Learn ways to reward your employees for their safety efforts. Over the past year 945 Montana employers took advantage of these free training opportunities; isn't it time you join them?

We encourage employers, managers, supervisors, safety committee members and other employees instrumental in communicating safety to attend.

Training Dates and Locations

September 8	*Helena* *Holiday Inn (Downtown)*
September 13	*Great Falls - Holiday Inn*
September 15	*Missoula* *Best Western Grant Creek Inn*
September 21	*Kalispell – Hampton Inn*
September 27	*Bozeman - Holiday Inn*
September 28	*Billings –* *Billings Hotel &* *Convention Center*

All trainings take place from 8:00 am – Noon. To register or for more information go to our website, contact your team's customer service specialist, or speak with Wayne Dillavou (ext. 5892) or Rita Naylor (ext. 7048).

Safety Has Its Rewards

Safety is Our Business

Management's commitment to safety, an effective written safety plan, regularly scheduled safety meetings and daily safety inspections are just a few examples of why Envirocon, Inc. was recently honored with the Governor's Award for Safety in the large business category. This is the highest award given by the State of Montana for an employer's commitment to excellence in workplace safety and health.

Envirocon, a Missoula-based business that provides environmental remediation, demolition and civil construction, is a customer of MSF's Team 5.

"The employees of Envirocon work in hazardous environments, but their management team has proven that they care about their employees health and safety by initiating a solid safety program," said Leah Tietz, MSF Safety Management Consultant for Envirocon. "They have implemeted strong injury investigation strategies, successful hazard controls and their communication plan and accountability sytstems are extremely well thought out." Pat Hunt, Team 5 claims examiner, has worked with Envirocon for five years. She adds that the company has gone 22 consecutive months with zero injury claims for its Montana operations. This has led to significantly reduced premium rates.

Congratulations Envirocon. We are proud to be your workers' compensation carrier and partner in safety.

Envirocon President Mike Stevenson (center) receives the Governor's Award for Safety. Stevenson is flanked by members of his staff, MSF safety, underwriting and claims representatives, and Keith Kelly, Commissioner of Labor.

Listen Up, Fleet Professionals

Critics agree, MSF's newly released fleet safety CD, The Road to Safety, will make you sit up and take notice. This entertaining and informative safety production is peppered with real trucker injury stories and sound advice on how these accidents could have been avoided.

If you want to get a safety message across to your employees without them tuning out, this CD is worth a listen.

For a free copy of The Road to Safety on CD or cassette call Jim Lindsey at 800-332-6102 ext. 6604 or e-mail jlindsey@montanastatefund.com.

Important MSF Contact Information

Customer Service:
800-332-6102

Web Address/Safety Seminar Registration/Early Return to Work Information: montanastatefund.com

Safety Seminar Contact:
800-332-6102, extension 5892 (Wayne Dillavou) extension 7048 (Rita Naylor)

ACE Program:
800-332-6102, extension 5982 (Matthew Cohn)

Fraud Hotline:
888-MTCRIME / 888-682-7463
or report on-line at montanastatefund.com

Medical Educational Conference:
800-332-6102, extension 6595 (Bridget McGregor)

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